UNITED
NATIONS

S

Security Council

Distr.
GENERAL

S/1998/1012
29 October 1998

ORIGINAL: ENGLISH

REPORT OF THE SECRETARY-GENERAL CONCERNING THE SITUATION IN ABKHAZIA, GEORGIA

I. INTRODUCTION

1. By its resolution 1187 (1998) of 30 July 1998, the Security Council decided to extend the mandate of the United Nations Observer Mission in Georgia (UNOMIG) until 31 January 1999 subject to a review by the Council of the mandate of UNOMIG in the event of any changes that may be made in the mandate or in the presence of the peacekeeping force of the Commonwealth of Independent States (CIS). In the same resolution, the Council requested me to continue to keep it regularly informed and to report three months after the date of the adoption of the resolution on the situation in Abkhazia, Georgia, including on the operations of UNOMIG. The Council also expressed its intention to conduct a review of the Mission in the light of my report, taking into account in particular the progress made by the two parties in creating secure conditions in which UNOMIG could fulfil its existing mandate and in establishing a political settlement. The present report is submitted in pursuance of that request and provides an update of the situation as of 23 October 1998.

II. POLITICAL ASPECTS

2. Since my last report (S/1998/647 and Add.1 of 14 and 28 July 1998, respectively), efforts to reinvigorate the peace process have continued. Bilateral contacts between the Georgian and Abkhaz sides have increased markedly, in particular in recent weeks. These contacts are aimed at achieving specific agreements relating to security issues, the return of refugees and economic projects, with a view to creating an environment propitious for further progress. The United Nations has facilitated the intensification of these exchanges, both through the good offices of my Special Representative for Georgia, Liviu Bota, and through logistical and organizational support provided by UNOMIG.

3. I met with the newly appointed Georgian State Minister, Vazha Lordkipanidze, on 9 October 1998 in New York. We discussed important aspects of the peace process, including the political and peacekeeping roles of the United Nations and the larger geopolitical context of the conflict in

Abkhazia, Georgia. I stressed the need for the parties to maintain a security environment within which UNOMIG can operate safely and effectively.

4. On 2 September, the fifth session of the Coordinating Council was convened in Sukhumi, Georgia, under the chairmanship of my Special Representative and with the participation of representatives of both sides, the Russian Federation in its capacity as facilitator, the Organization for Security and Cooperation in Europe (OSCE), and the countries that are members of the group of Friends of the Secretary-General - France, Germany, the Russian Federation, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Georgian delegation was led by Mr. Lordkipanidze, who has retained the portfolio for the settlement of the conflict in Abkhazia, Georgia, despite his recent appointment. The Abkhaz delegation was led, for the first time, by the de facto Prime Minister, Sergei Bagapsh, in implementation of an earlier decision by the Council to increase the size of each delegation from three to four members, with each delegation being headed by its respective head of Government. These changes raise the profile of the Coordinating Council meetings and the Geneva process as a whole.

5. The agenda for the fifth session included the following three items: (1) questions relating to the sustained non-resumption of hostilities and security issues; (2) refugees and internally displaced persons; and (3) economic and social problems. The Coordinating Council decided, inter alia, that both sides must take effective steps to put an end to the firing incidents across the line of separation of forces and to prevent terrorist and subversive groups, as well as armed formations and individuals, from crossing the line of separation. The Council also decided that the Abkhaz side would take measures to protect civilians living in the Gali district from unlawful acts involving the use of force. The Council further decided that a joint group composed of representatives of the two sides, UNOMIG and the CIS peacekeeping force should be established to investigate and prevent terrorist acts and other violations of the law. The two sides pledged to examine and respond to protests made by UNOMIG and the CIS peacekeeping force concerning violations of the Moscow Agreement on a Ceasefire and Separation of Forces of 14 May 1994 (S/1994/583 and Corr.1, annex I). My Special Representative, together with the representatives of the Russian Federation in its capacity as facilitator, OSCE and the group of Friends of the Secretary-General, appealed to the two sides to refrain from any actions that might cause the situation in the zone of conflict to deteriorate or lead to a resumption of hostilities and to cease construction of military fortifications and dismantle existing ones.

6. The stepped-up bilateral contacts between the two sides included the following: on 20 August the Commander of the Georgian Border Guards, Major General Valeri Chkheidze, visited Sukhumi; on 2 September, while in Sukhumi to attend the session of the Coordinating Council, Mr. Lordkipanidze met with the Abkhaz leader, Vladislav Ardzinba; and on 3 September, the Minister of State Security of Georgia, Jemal Gakhokidze, met with the Abkhaz Head of Security Services, Astamur Tarba.

7. Within the framework of the Bilateral Joint Coordination Commission on Practical Questions, Mr. Bagapsh, accompanied by the personal representative of Mr. Ardzinba to the peace process, Anri Jergenia, and a group of experts on

communications, energy, transport and construction, went to Tbilisi and met with President Shevardnadze and Mr. Lordkipanidze on 22 September. During the same period, both parties reported having received information that a renewed outbreak of hostilities was imminent. In that very tense security context, Mr. Lordkipanidze, accompanied by the Ministers of Defense, Interior and State Security, and the Prosecutor-General of Georgia, travelled to Sukhumi on 24 September and met with their counterparts. As a result of those direct contacts, the situation on the ground was clarified and the immediate tension was defused. On the occasion of the latter visit, the parties, my Special Representative and the Commander of the CIS peacekeeping force signed a "Protocol on the meeting of the Georgian and Abkhaz sides concerning stabilization of the situation along the line of separation", in which they agreed to bring the number of armed personnel and weapons in the security and restricted weapons zones into conformity with the Moscow Agreement and to clarify the demarcation of the line of separation in the two Georgian-controlled pockets on the northern bank of the Inguri River. It was also agreed that direct contact would be established between the heads of administration of the Gali and Zugdidi sectors and between the leaders of armed formations of the two sides; that the respective law enforcement bodies would cooperate to put a stop to terrorist and subversive activities; and that the Offices of the Prosecutors of the respective sides would establish working groups to develop the rules for joint investigation. Mr. Lordkipanidze also met with Mr. Ardzinba during the one-day trip.

8. Discussions concerning a possible meeting between President Shevardnadze and Mr. Ardzinba continue, and each leader has expressed his readiness to meet with the other in the near future. In a statement by President Shevardnadze in connection with the fall of Sukhumi five years ago, the Georgian leader noted that Abkhazia should receive "the highest status that is known in the practice of world federalism" (see S/1998/898, annex, para. 6). However, on 30 September, Mr. Ardzinba noted that President Shevardnadze's proposals concerning "highest status" were "completely unrealistic".

9. Throughout the reporting period, the Executive Secretary of the Bilateral Joint Coordination Commission, Zurab Lakerbaia, continued to travel frequently between Tbilisi and Sukhumi to work on improving relations between the two sides.

10. As part of the Geneva process, my Special Representative convened near Athens, from 16 to 18 October, a meeting of the Georgian and Abkhaz sides on confidence-building measures. The venue was chosen upon the generous invitation of the Government of Greece, whose Minister for Foreign Affairs, Theodoros Pangalos, was present at the opening and closing ceremonies. The Georgian delegation was led by Mr. Lordkipanidze and the Abkhaz delegation by Mr. Bagapsh. Representatives of the Russian Federation in its capacity as facilitator, OSCE and the countries members of the group of Friends of the Secretary-General also attended the meeting. The Executive Secretary of the Bilateral Joint Coordination Commission was also present. The Georgian and Abkhaz delegations consisted of representatives of a wide spectrum of society, including government officials, parliamentarians, academics, businessmen, cultural figures and members of non-governmental organizations. In preparation for the Athens meeting, Mr. Jergenia, accompanied by a group of experts on

security and economic issues, travelled to Tbilisi on 13 October and held extensive discussions with Mr. Lordkipanidze and other Georgian officials.

11. The Athens meeting was devoted to confidence-building between the two sides. In a concluding statement, both agreed on measures in support of the lasting non-resumption of hostilities, improving security and facilitating direct economic and commercial activity between them. Both sides made use of the meeting, which was the largest and most representative gathering of the Georgian and Abkhaz sides since the war of 1993, to engage in bilateral discussions on these issues and on the return of refugees and measures for the economic rehabilitation of Abkhazia, Georgia.

12. During the course of the meeting, my Special Representative, together with the representatives of the Russian Federation as facilitator and the members of the group of the Friends of the Secretary-General, for the first time jointly submitted to the parties a draft text addressing the non-use of force, the return of refugees to the Gali district and measures for the economic rehabilitation of Abkhazia, Georgia. It was proposed that the document be discussed at the sixth session of the Coordinating Council, which is scheduled to take place in the coming weeks.

13. Over time, and particularly during the reporting period, cooperation with other organizations, including OSCE, CIS and the Council of Europe, has increased. My Special Representative has twice addressed the Permanent Council of OSCE in Vienna, most recently on 23 October. A CIS delegation recently visited the mission area and met with my Special Representative on 12 October. Contacts with representatives of the Council of Europe have been frequent.

14. In the first half of August, the OSCE High Commissioner on National Minorities, Max van der Stoel, visited Georgia, including Abkhazia. From 27 to 30 August, the Deputy Permanent Representative of the United States of America to the United Nations, Nancy Soderberg, visited the region and was received by President Shevardnadze and Mr. Ardzinba. At the end of August, a delegation of the Council of Europe, headed by its Secretary-General, Daniel Tarschys, also visited Georgia. On 3 and 4 October, a session of the Bureau of the Interparliamentary Assembly of OSCE was held in Tbilisi and discussed the settlement of conflicts in the Caucasus.

15. In the early morning hours of 19 October, a group of some 200 soldiers led by a supporter of former President Gamsakhurdia mutinied in the western Georgian town of Senaki, seizing a number of tanks and armoured personnel carriers and demanding the re-establishment of "legal authority" in the country. As the insurgents were moving towards Kutaisi, they were stopped by Georgian government troops. The mutiny quickly collapsed and the ringleaders went into hiding. During this period, UNOMIG was kept informed of developments by the Government.

III. HUMANITARIAN SITUATION AND HUMAN RIGHTS

16. The International Committee of the Red Cross (ICRC), Acción contra el Hambre (ACH) and Médecins sans Frontières (MSF-France) continue to bring humanitarian assistance to many of the most vulnerable civilians in Abkhazia,

Georgia. However, in the Gali area, access to vulnerable people who left Gali town after the May events continues to be impeded because of renewed mine laying on some secondary roads and other activities that place both beneficiaries and aid workers at risk. As a result, vulnerable segments of the population remain without the material assistance that they will require during the coming winter months, as well as without the protection that could be afforded to them by the humanitarian agencies.

17. Humanitarian agencies welcomed the concluding statement of the results of the second meeting of the Georgian and Abkhaz sides, held at Geneva from 23 to 25 July 1998 (see S/1998/647/Add.1, annex), in which the two sides inter alia recommitted themselves to ensuring the freedom of movement and security of humanitarian aid workers. Nevertheless, during the reporting period, the security situation of international personnel continued to decline, and aid agencies have appealed to the Government of Georgia and the Abkhaz authorities to provide their full support to ensure that assistance reaches civilians in need.

18. It will be recalled that programmes in support of returnees to the Gali area came to an abrupt halt when fighting again broke out in May of this year (see S/1998/375, para. 15). During that conflict and immediately thereafter, it is estimated that some 40,000 persons, mostly spontaneous returnees residing in Gali, fled across the Inguri River towards Zugdidi. Although hostilities subsided following the signing, on 25 May, of the Protocol on a Ceasefire and Withdrawal of Armed Formations (see S/1998/497, para. 4), looting and burning of houses by Abkhaz militia and armed groups was widespread (see S/1998/647, para. 13).

19. Given that the majority of spontaneous returnees to the Gali district again had to flee to the other side of the Inguri River, the focus of operations of the Office of the United Nations High Commissioner for Refugees (UNHCR) for serving this population, which continues to face hardship, has shifted to the Zugdidi side, and all the UNHCR international staff members have temporarily vacated the Sukhumi office. Nonetheless, the Sukhumi office, which is now operated by local staff, continues to maintain a liaison function. International UNHCR officers are monitoring the situation in Gali on a regular basis, depending on the security situation, to assess the needs of the remaining population. Owing to the humanitarian crisis caused by the influx of internally displaced persons on the Zugdidi side, the United Nations Office for the Coordination of Humanitarian Affairs has temporarily relocated its base in western Georgia from Sukhumi to Zugdidi.

20. During the reporting period, the United Nations Humanitarian Coordinator, with support from the United Nations Office for the Coordination of Humanitarian Affairs, facilitated the provision of emergency assistance to newly displaced persons in the Zugdidi area. UNHCR, the World Food Programme (WFP), ICRC, the International Federation of Red Cross/Red Crescent Societies, ACH, the International Rescue Committee, OXFAM, Médecins sans Frontières-Spain and the Salvation Army, among others, were involved in the response, with significant funding support from USAID, The European Community Humanitarian Office (ECHO) and the Government of Switzerland. Some 8,500 internally displaced persons initially settled in schools in the area. In support of the efforts by the

Government of Georgia to ensure that the school year would not be disrupted, UNHCR and its implementing partners rehabilitated more than 1,900 rooms in 47 new and 17 existing communal centres for the new internally displaced persons. At the time when this report was being prepared, 45 out of 50 schools in which internally displaced persons were residing were again available to resume normal school activities. UNHCR is now providing some rehabilitation support to those occupied schools, while the United Nations Children's Fund (UNICEF), with support from UNHCR, is providing school supplies and furniture.

21. The United Nations Office for the Coordination of Humanitarian Affairs and UNHCR continue to monitor the humanitarian situation in the rest of Abkhazia, Georgia, and note that the consequences of the severe drought that affected western Georgia during the summer, as well as the spillover effects of the economic crisis in the Russian Federation, may impact on the ability of some people to feed themselves this winter. Elderly people with no family support could be particularly vulnerable. Agencies working in the region have made the assessment that, at present, they have the capacity to absorb additional beneficiaries into existing food assistance programmes, if necessary. Other vulnerable groups, especially children, may also suffer as local resources to purchase items such as medications, winter clothing and basic school supplies are depleted. Particular attention should also be paid to Abkhazian adolescents who, faced with persistent isolation and a steadily declining economic situation, may experience feelings of hopelessness about their future and might be tempted to resort to crime. Programmes that address concrete problems of this population should continue to be supported and expanded.

IV. OPERATIONS OF THE UNITED NATIONS OBSERVER MISSION IN GEORGIA

22. Since I last reported to the Security Council on the operations of UNOMIG, the mission has continued to carry out limited operational patrolling in the security and restricted weapons zones of the Gali and Zugdidi sectors. Limited patrolling of the Kodori Valley has also resumed. Current arrangements for patrolling the Gali and Zugdidi sectors require that there should be two mine-protected vehicles in each patrol, that each vehicle should have two military observers, that each patrol should have one interpreter and that patrolling should take place only along roads connecting population centres or CIS peacekeeping force checkpoints. The CIS peacekeeping force maintains troops on standby as a quick reaction force, and the UNOMIG helicopter is on immediate standby while the patrols are deployed.

23. The relocation of the administrative headquarters from Pitsunda to Sukhumi has greatly enhanced the effectiveness of the Mission's operations. It is now planned to complete the move by relocating the transport workshop from Pitsunda to Zugdidi. This will take place in the near future.

24. Since my last report, the strength of UNOMIG has been increased by the addition of four military observers. Three of these, who were selected on the basis of their legal expertise, will assist the Mission in playing a full part in the new Joint Investigation Group, which was established by the Coordinating Council at its fifth session, held in Sukhumi on 2 September 1998. As at

21 October 1998, the Mission's strength stood at 98 observers (see annex). The present Chief Military Observer, Major General M. Harun-Ar-Rashid (Bangladesh) will depart UNOMIG on 12 November 1998 on completion of his assignment.

25. After numerous delays, it is now anticipated that the first consignment of ballistic-protected vehicles will arrive during the month of November. These new vehicles will supplement the existing fleet of mine-protected vehicles and eventually replace them as the latter become uneconomical to operate. It should be noted in this connection that the current fleet of mine-protected vehicles is old, that it is subject to extremely hard use on very bad roads and that its serviceability will therefore inevitably decrease.

26. The proposed project to resurface the roads in the Gali district, when completed, will significantly improve the security of UNOMIG patrols by greatly reducing the possibility of their becoming accidental targets. Although a contractor willing to undertake the project has been found and resurfacing has begun, work is progressing very slowly and only 60 per cent of the main trunk road between Gali and the Inguri bridge has so far been repaired. The quality of the work also leaves much to be desired.

27. Council members will recall that the helicopter assigned to UNOMIG began its operations at the beginning of June. It has since proved to be a very useful asset to the Mission, allowing patrols to visit both distant locations and those with difficult access, such as the Kodori Valley. The presence of the helicopter has also considerably increased the security of the Mission. As noted above, it is considered essential that the helicopter be on standby at all times in case of need for casualty evacuation, and this need has been amply demonstrated by the two major incidents, on 8 June and 21 September, in which UNOMIG has been involved this year. In addition, the helicopter has greatly facilitated the movement of delegations attending meetings as part of the peace process. However, demand for use of this valuable asset for stand-by evacuations, patrolling and facilitating the peace process now exceed the limits of the only available helicopter, and therefore the possibility of acquiring a second helicopter is under review.

28. The weekly quadripartite meetings, chaired by the commander of the CIS peacekeeping force and attended by both sides at the appropriate level, continued during the reporting period. It will be recalled that these meetings bring together the Chief Military Observer and representatives of the Georgian and Abkhaz police, militia, security services and local administration to discuss security and other issues affecting both sides at the local level.

29. UNOMIG continues to cooperate with United Nations agencies and international organizations working in Abkhazia, Georgia. It regularly shares information with them and holds regular briefings about the security and humanitarian situation in areas in which these organizations do not operate daily. To enhance their security, an offer has been extended to them to join UNOMIG escort patrols while travelling through the security and restricted weapons zones, and this has been accepted frequently.

V. COOPERATION BETWEEN THE UNITED NATIONS OBSERVER MISSION IN GEORGIA AND THE COLLECTIVE PEACEKEEPING FORCES OF THE COMMONWEALTH OF INDEPENDENT STATES

30. At the headquarters level, the working relationship between UNOMIG and the CIS peacekeeping force remains good. At the sector level, possibly owing to a change of commanders, good working relations could be further developed.

31. At the initiative of the CIS peacekeeping force, a Joint Investigation Group comprised of representatives of the two sides, the CIS peacekeeping force and UNOMIG was set up in August to investigate incidents and violations in the conflict area. This initiative, however, has had little success. So far, the group has investigated only four of the many incidents and violations that have taken place since its inception. The results of these investigations were inconclusive.

VI. SITUATION ON THE GROUND

A. General

32. The situation in the security and restricted weapons zones remains tense and unstable. Exchanges of fire across the ceasefire line continued throughout the reporting period. Although most of these have consisted of undirected bursts of automatic fire, they have at times threatened to escalate into serious hostilities. The campaign of mine attacks and ambushes carried out by armed groups in the lower Gali district against the CIS peacekeeping force and the Abkhaz militia has continued, though it has considerably diminished in recent weeks. Despite the level of tension, the population of the Gali district that fled to the other side of the Inguri River in May 1998 has continued to trickle back home. Violations by both sides of the Moscow Agreement on a Ceasefire and Separation of Forces of 14 May 1994 also continued to occur. Examples include persistent denial of access to the heavy weapons storage sites on both sides of the ceasefire line, the introduction of armoured vehicles and heavy weapons into the security and restricted weapons zones, numerous cases of restrictions on the freedom of movement of UNOMIG patrols and frequent visits by military personnel to the security zone.

B. Security and restricted weapons zones

33. In the Gali sector, the Abkhaz militia have consolidated their control over the whole of the Gali district and have established posts, manned with between 15 and 25 militiamen, in all the principal villages, primarily along the ceasefire line. The discipline of the militia appears to have greatly improved, and reports from the local population of looting or poor behaviour have decreased markedly. The new head of administration in Gali is making considerable efforts to encourage the population to return from the Zugdidi side of the ceasefire line and has taken positive steps to control the militia and deter armed robberies in the area.

34. Although the Abkhaz authorities assert that they have less than their authorized strength of armed personnel in the Gali district, the real figure may, in fact, be much higher. Some of these may belong to a newly formed "border guard" unit that has started to deploy along the ceasefire line. Furthermore, the Abkhaz have built defensive structures in the security zone. The militia are drawn from all over Abkhazia and are rotated throughout the region every 10 days or two weeks. For logistical support, they are supplied with some items of food from their headquarters in Gali town, but for the most part they still rely on the local population.

35. During August and September, 10 separate incidents of mine attacks and ambushes against the Abkhaz militia by armed groups operating in the lower Gali region caused the death of 25 Abkhaz militia. Sixteen soldiers of the CIS peacekeeping force were wounded in the same period in similar attacks. As I stated in my report of 14 July 1998 (S/1998/647, para. 26), many of these attacks seem to be orchestrated from the Georgian side of the Inguri River. Despite calls for action to control these groups and some steps taken by the Georgian side to comply with this appeal, no significant results have been achieved to date.

36. In the Zugdidi sector, the number of armed Georgian personnel in the security zone at the beginning of the reporting period far exceeded authorized strength. The deployment of Georgian Interior Ministry troops along the ceasefire line has continued, and substantial defensive positions and trenches have been constructed against a possible Abkhaz attack. On 24 August, a terrorist bomb attack in the Governor's Office in Zugdidi killed 2 and injured over 80 people, many of them seriously. In the wake of this incident, the Georgian authorities increased even further the strength of the Interior Ministry troops in the city. They also positioned four armoured personnel carriers, which were subsequently removed following protests by UNOMIG.

37. As noted in paragraph 5 above, at the fifth session of the Coordinating Council, UNOMIG, the CIS peacekeeping force and the group of Friends of the Secretary-General issued an appeal to the parties to cease construction of military fortifications and to dismantle existing ones. On 24 September, the parties signed a protocol agreeing to do so and to reduce the numbers of law enforcement personnel in the security zone to the pre-war levels. However, the defensive positions remain, and the number of armed personnel on both sides is unchanged.

C. Kodori Valley

38. UNOMIG resumed limited patrolling of the Kodori Valley on 30 August. The road to the valley from the Abkhaz side was found to be blocked by a destroyed bridge just beyond the furthest CIS peacekeeping force checkpoint, which is no longer occupied. Access to the valley from that side is thus no longer possible. Nevertheless, patrols were carried out by approaching over a mountain pass from the Zugdidi side, and also by helicopter. The situation in the valley is quiet, and contacts by the Kodori administration with the Abkhaz side, though infrequent, have been cordial. A new local governor has been appointed by the

Government of Georgia. Since the only two ways of reaching the valley now require fair weather, it is anticipated that patrols will cease for the winter.

VII. SECURITY ARRANGEMENTS

39. During the period since my last report, there have been a number of incidents in the mission area that have directly endangered the safety and security of UNOMIG personnel. These have included grenades thrown into the UNOMIG headquarters compound in Sukhumi on three occasions, two car hijackings and the ambush of a clearly marked UNOMIG bus in the centre of Sukhumi on 21 September. In the last of these attacks, all of which were reported at the time to the Security Council, four United Nations staff members were injured, one of them seriously. Investigations by the local authorities have not led to the identification or prosecution of the perpetrators, or even to the establishment of a motive for the attack.

40. In view of the worrisome security situation in the mission area, UNOMIG continues to review the security arrangements in place at all the locations where its personnel are deployed. At Zugdidi, Georgian Interior Ministry troops provide a 24-hour armed guard of at least 10 personnel, which is reinforced as required. In Gali, a locally recruited team of unarmed watchmen guard the headquarters building, and additional security is provided by the presence of CIS peacekeeping force troops, who are based immediately adjacent to the UNOMIG building. In Sukhumi, the UNOMIG headquarters compound is guarded by a detachment of Abkhaz militia. In addition, the CIS peacekeeping force maintains forces in both sectors on immediate standby in order to provide additional protection for UNOMIG if necessary.

41. As I stated in my report of 11 May 1998 (S/1998/375, para. 26), a possible solution to the security problems faced by UNOMIG would be the provision of a self-protection unit whose task would be to guard the Mission's static installations against both criminally and politically motivated attacks. That said, it is probable, given the circumstances in which some of the recent incidents occurred, that the presence of such a unit could not have prevented either the ambush in Sukhumi or the two car hijackings. Alternatives therefore need to be considered. In this context, one might consider a significant increase in the number of internationally recruited security personnel to provide internal security to the Mission's installations, while the local authorities would remain responsible for perimeter security. The Mission currently has eight internationally recruited security officers. The security of the Mission's mobile patrols will be enhanced by the expected arrival of an additional 25 ballistic-protected vehicles.

VIII. SOCIAL AND ECONOMIC ASPECTS

42. Georgia's economic recovery continued during the period under consideration. The inflation rate is now stable at under 7 per cent, and the exchange rate of the national currency (the lari) in relation to the United States dollar remains unchanged, thus confirming the stability demonstrated in the last three years. In 1997, Georgia's economy grew by 11 per cent, and

expectations are that in 1998 the country's gross national product will continue to grow at the same rate. Finally, foreign investments are expected to reach, and possibly exceed, $220 million in 1998 - an increase of almost 20 per cent over the previous year. The recent economic difficulties experienced by the Russian Federation and other important financial markets do not seem to have affected the Georgian economy, though it is still too early to evaluate the impact that the possible reduction in remittances in roubles and other foreign currencies from Georgian citizens working in the Russian Federation and other countries will have on the country's balance of payments.

43. However, without questioning the importance and relevance of the above-mentioned achievements in the economic recovery programme launched by the Government of Georgia in 1995, it is nevertheless important to note that, after three consecutive years of growth, the Georgian economy is still only one third as large as it was in 1990. Furthermore, recent surveys conducted by the State Department of Statistics with support from the International Labour Organization (ILO) and the United Nations Development Programme (UNDP) place the unemployment rate at about 20 per cent. In addition, the results of a household income and expenditure survey indicate that 44 per cent of Georgians live below the poverty line, which is calculated to be an income below 180 lari per month for a family of four. Furthermore, the internal revenue system of Georgia is able to collect taxes only for a value of approximately 10 per cent of the gross national product, creating serious problems of liquidity with regard to public finances and limiting the capacity of the State Treasury to sustain the budget expenditure targets approved for 1998.

44. As a result, important social sectors, such as health and education, will see severe cuts in their already modest budget allocations, with negative consequences for the most vulnerable segments of the population. In addition, owing to problems of internal liquidity, the State Treasury will not be able to meet very basic social needs, such as payment of pensions and salaries, for many categories of public employees. This indicates that the major challenge still faced by the Government of Georgia in the implementation of its economic programme is to increase collection of tax revenues to sustain public expenditures while maintaining efficient control of macroeconomic parameters.

IX. OBSERVATIONS

45. The fact that the recent meeting in Athens between the Georgian and Abkhaz sides on confidence-building measures actually took place is, in itself, an achievement, considering that recent events brought both sides close to the brink of a full-fledged resumption of hostilities several times this year. It is noteworthy that representatives on both sides used the opportunity of the meeting to seek and engage in dialogue on the central issues of the settlement of the conflict, as well as on confidence-building measures. I appeal to them to implement in good faith the measures agreed upon at the meeting. At the same time, I encourage them to expand further their relations at all levels of society, in order to create a network of contacts that could help to unblock the political stalemate regarding the two core problems - the political status of Abkhazia and the return of refugees and displaced persons.

46. I continue to be concerned by the security situation of UNOMIG, which is threatening the very viability of the Mission. The ambush in Sukhumi on 21 September was a deliberate attack on the United Nations, and its intent was clearly to kill UNOMIG personnel. It is only by good fortune that the human cost was not higher. Prior to the attack, patrolling and other activities of UNOMIG had already been curtailed for security reasons. Some further measures can be taken by the Mission to improve the security of its personnel, but only at the cost of further limiting the Mission's capacity to implement its mandate. Unless the parties take urgent measures to improve the security environment for the United Nations, I shall be obliged to draw down the strength of the Mission and to consider relocating United Nations personnel and facilities to more secure locations. Should UNOMIG be compelled to withdraw from Abkhazia, Georgia, the situation in the security and restricted weapons zones would almost certainly become more serious, and a return to open hostilities could not be excluded. Therefore, I would urge Member States, and the members of the group of Friends of the Secretary-General in particular, to use their influence with the parties to ensure that the security environment improves significantly. In the meantime, the Security Council may wish to consider whether, as mentioned in paragraph 41 above, increasing substantially the number of internationally recruited security personnel to provide internal security to the Mission's installations might offer at least a partial solution while other alternatives continue to be explored. I shall submit as soon as possible, in an addendum to the present report, a statement on the related financial implications.

47. I wish to take this opportunity to thank my Special Representative, Liviu Bota, and all the civilian and military personnel of UNOMIG for their dedication and perseverance in carrying out, under difficult and at times dangerous conditions, the tasks entrusted to them by the Security Council. I wish to pay particular tribute to the Chief Military Observer, Major General Harun-Ar-Rashid, who will be departing the Mission on 12 November 1998, for 18 months of outstanding and dedicated service to UNOMIG and the cause of peace.

Annex

Composition of United Nations Observer Mission in Georgia as at 23 October 1998

Country	Military observers
Albania	-
Austria	4
Bangladesh	8
Czech Republic	4
Denmark	5
Egypt	3
France	5
Germany	11
Greece	4
Hungary	5
Indonesia	4
Jordan	5
Pakistan	6
Poland	3
Republic of Korea	3
Russian Federation	3
Sweden	5
Switzerland	4
Turkey	5
United Kingdom of Great Britain and Northern Ireland	6
United States of America	2
Uruguay	3
Total	98

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